

Idaho Legislative Audits
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Idaho Public Utilities Commission

Management Report on Internal Control

Issued: July 21, 2004
Fiscal Year: 2001, 2002, and 2003



EXECUTIVE SUMMARY LEGISLATIVE AUDITS

PUBLIC UTILITIES COMMISSION

PURPOSE AND SCOPE. In planning and making our audit of the statewide basic financial statements, we performed certain audit procedures to evaluate the effectiveness of the Public Utilities Commission's internal control design and operation. Consequently, the limited scope of our procedures does not allow us to give an opinion on the Commission's internal control system. Accordingly, we do not express an opinion or ensure that all instances of internal control weaknesses were disclosed.

Our purpose was to indicate where internal controls could be strengthened to help ensure accurate financial statements and data. This evaluation, together with other evaluations and various audit procedures applied at other agencies, allows us to express an opinion on the statewide basic financial statements prepared by the State Controller's Office.

CONCLUSION. We noted no matters involving the internal control over the Commission's financial reporting or its operation that we considered to be material weaknesses. However, our consideration of internal controls would not necessarily disclose all matters considered to be a material weakness.

FINDINGS AND RECOMMENDATIONS. There are no findings and recommendations in this report, nor in the prior report.

AGENCY RESPONSE. The Commission has reviewed the report and is in general agreement with its contents.

FINANCIAL SUMMARY. The procedures completed and described above help us express our opinion on the fairness of presentation of the statewide *Comprehensive Annual Financial Report (CAFR)*. Although an opinion is not given on the financial data presented in this report, one is given on all State funds in the statewide *Comprehensive Annual Financial Report* that includes the financial data presented here.

The majority of the Commission revenue is from regulated utility companies and railroads. The fiscal year 2003 expenditures from the Regulatory Fund were used to pay personnel costs (\$2,900,841) and operating expenses (\$1,032,583). The Universal Service Fund, the Telecommunication Relay Service Fund, and the Telephone Service Assistance Program are maintained by contract administrators using private bank accounts.

Public Utilities Commission – Financial Summary

Regulatory Fund	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003
Beginning Cash Balance	\$3,553,673	\$3,650,507	\$3,970,309
Receipts	<u>4,162,282</u>	<u>4,477,963</u>	<u>4,388,809</u>
Total Available	\$7,715,955	\$8,128,470	\$8,359,118
Less Disbursements	<u>4,065,448</u>	<u>4,158,161</u>	<u>3,933,424</u>
Ending Cash Balance	<u><u>\$3,650,507</u></u>	<u><u>\$3,970,309</u></u>	<u><u>\$4,425,694</u></u>

Federal Fund	Fiscal Year 2002	Fiscal Year 2003
Beginning Cash Balance	\$0	\$45,633
Receipts	<u>54,957</u>	<u>68,328</u>
Total Available	\$54,957	\$113,961
Less Disbursements	<u>9,324</u>	<u>0</u>
Ending Cash Balance	<u><u>\$45,633</u></u>	<u><u>\$113,961</u></u>

The Regulatory Fund is the main operating fund of the Commission. The Federal Fund is used to receipt federal reimbursement for the federal share of expenditures incurred to operate the pipeline safety program. The Commission will make future program expenditures from the Federal Fund.

Universal Service Fund	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003
Beginning Cash Balance	\$128,683	\$511,306	\$646,287
Receipts	<u>2,590,022</u>	<u>2,513,899</u>	<u>2,127,217</u>
Total Available	\$2,718,705	\$3,025,205	\$2,773,504
Less Disbursements	<u>2,207,399</u>	<u>2,378,918</u>	<u>2,618,783</u>
Ending Cash Balance	<u><u>\$511,306</u></u>	<u><u>\$646,287</u></u>	<u><u>\$154,721</u></u>

The Universal Service Fund is established in Idaho Code, Section 62-610 for the purpose of maintaining a universal local exchange service at reasonable rates throughout the State. The funds are from a surcharge on all local exchange services. In addition to the ending cash balance, the fund also has investments of \$3,193,824 at June 30, 2003. This fund is maintained by a contract administrator in a private bank account and is not audited by our office. Fiscal year 2003 administrative costs totaled \$10,971.

Telecommunication Relay Service	Calendar Year 2001	Calendar Year 2002	Calendar Year 2003
Beginning Cash Balance	\$198,318	\$249,207	\$189,699
Receipts	<u>632,935</u>	<u>529,234</u>	<u>527,277</u>
Total Available	\$831,253	\$778,441	\$716,976
Less Disbursements	<u>582,046</u>	<u>588,742</u>	<u>528,964</u>
Ending Cash Balance	<u><u>\$249,207</u></u>	<u><u>\$189,699</u></u>	<u><u>\$188,012</u></u>

The Telecommunication Relay Service Fund is established in Idaho Code, Section 61-1304 for the purpose of providing service to individuals who are hearing or speech impaired. The funds are from rates paid by telephone corporations providing basic local exchange service within the State, as determined by the Commission. This fund is maintained by a contract administrator in a private bank account and is not audited by our office. Administrative costs for State fiscal year 2003 totaled \$36,031.

Idaho Telephone Service Assistance Program	Calendar Year 2001	Calendar Year 2002	Calendar Year 2003
Beginning Cash Balance	\$72,637	\$128,351	\$18,371
Receipts	<u>687,254</u>	<u>461,026</u>	<u>685,260</u>
Total Available	\$759,891	\$589,377	\$703,631
Less Disbursements	<u>631,540</u>	<u>571,006</u>	<u>471,918</u>
Ending Cash Balance	<u><u>\$128,351</u></u>	<u><u>\$18,371</u></u>	<u><u>\$231,713</u></u>

The Idaho Telephone Service Assistance Program is established in Idaho Code, Section 56-901. Although this code identifies the Department of Health and Welfare as the administrator, the Commission has the authority to invoke a surcharge on the telecommunication carriers. This fund is used to cover the cost of improving residential basic local exchange service to eligible subscribers. The Department of Health and Welfare determines who is eligible, and the Commission pays the providers of this service for all eligible subscribers in its service delivery area. Eligibility is determined by criteria established by the Department of Health and Welfare, based solely on income or other factors directly related to income. This fund is maintained by a contract administrator in a private bank account and is not audited by the Legislative Auditors. State fiscal year 2003 administrative costs totaled \$6,551.

The reporting period for the Idaho Telephone Service Assistance Program changed from a year ending September 30 to December 31. The ending cash balance reported in the prior report was \$604,631 at September 30, 2000. The schedule above reports a beginning cash balance of \$72,637 at January 1, 2001. This difference is the net cash activities during the period between September 30, 2000 and January 1, 2001.

OTHER ISSUES. We discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the Public Utilities Commission and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given us by the Commissioners and their staff.

QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:

Ray Ineck, CGFM, Supervisor, Legislative Audits

Thomas Haddock, CPA, CGFM, Managing Auditor

Report IC90003

For a copy of the entire audit report , contact Legislative Services Office, Audit Division, State Capitol Building, 700 W. Jefferson Street, P.O. Box 83720, Boise, Idaho 83720-0054, or call 208-334-3540.
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